Lincolnshire
POLICE & CRIME COMMISSIONER
SAFER TOGETHER

Risk Management Strategy

1. Introduction

1.1 Defining Risk

Risks are inherent in every activity and decision that the Police and Crime Commissioner (PCC) is involved in, but in order to achieve objectives it is necessary to manage them. A risk can be defined as 'the chance of something happening which can have an impact on objectives and priorities'[1]. Risks are mostly regarded as negative but there are also opportunities where there is a chance of a positive outcome.

1.2 Understanding Risk Management

Risk management is a strategic decision making tool and it helps an organisation to identify and treat the risks that would prevent or disrupt them from meeting their objectives. It also adds value and protects the organisation. It leads to improved decision making, better use of resources and the achievement of our goals.

1.3 Effective risk management will assist the PCC in achieving his vision and strategic objectives, optimising the quality and efficiency of our service delivery, and upholding and enhancing our reputation.

1.4 In order that risks can be managed; they must be identified, quantified and some precaution taken to pre-empt their occurrence and/or to reduce their effect.

1.5 The task of risk management is to manage exposure to risk, which is the probability of specific risks occurring and the potential impact if they did occur. The aim is to manage that exposure by taking action to keep exposure to an acceptable level in a cost effective way.

2. Scope

2.1 The PCC's duties for risk management are twofold. Firstly, the Commissioner has a responsibility for putting in place arrangements to manage risks he faces, separate from those of the Force. Secondly, he has responsibility for ensuring that the Force itself has adequate arrangements for risk management in place.

2.2 The aim of this strategy is to detail how risk management will be embedded into the governance structure and business of the PCC.

3. Risk Management Objectives

3.1 The objectives of the risk management strategy are to:

- Increase the likelihood of achieving the PCC's vision and strategic objectives;
- Prevent or reduce the potential consequences of events which could have been reasonably foreseen;

[1] Aus/NZ Risk Management Standard

- Prevent or reduce events or actions that could damage the reputation and public confidence of the PCC;
- Improve decision making and planning, assist in the allocation of resources;
- Integrate risk management into the culture of the Office of the PCC and its processes;
- Raise awareness of risk management in all staff, making it an integral part of their thinking and actions and
- Satisfy the requirements of corporate governance for the Annual Governance Statement, and the internal and external auditors as to the effectiveness and adequacy of risk management.

4. Corporate Governance

4.1 Risk management is central to effective corporate governance and relies on the production, maintenance and utilisation of realistic and robust risk registers. The risk register is also one of the primary assurance mechanisms used to produce and sign off the Statement of Internal Control[2].

4.2 CIPFA guidance[3] indicates that: good governance requires that risk management is embedded into the culture of the organisation. 'Corporate Governance' is the system by which an organisation is directed and controlled at its most senior levels, in order to achieve its objectives and meet the necessary standards of accountability, probity, and openness.

4.3 The Financial Management Code of Practice[4] states that the Audit Committee will advise the PCC and the Chief Constable according to good governance principles and to adopt appropriate risk management arrangements in accordance with proper practices. In setting up the Audit Committee, the PCC and the Chief Constable has given regard to the CIPFA Guidance on Audit Committees[5].

4.4 The Annual Governance Statement is produced on an annual basis to review the effectiveness of the governance framework.

4.5 The commitment to developing and maintaining the risk register is based on the principle that the PCC should be able to review strategic risks (and their management) as part of the proper exercise of the PCC's responsibilities in holding the Force to account.

4.6 Risk Assurance Process

There is an Assurance Map and methodology that sits alongside the PCC's risk management arrangements. There are direct linkages and synergies between these two processes, both are important in terms of the PCC's governance and stewardship functions. Effective corporate governance is critical for achieving the PCC's objectives and statutory duties to ensure an efficient and effective police force in Lincolnshire.

4.7 The **aim** of the Assurance map is to

- Provide timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues and on the sources of assurance

[2] The Accounts and Audit Regulations 2003 require Authorities to carry out a review of effectiveness of the system of internal control and to include a Statement on Internal Control in the Annual Statement of Accounts.
[3] CIPFA Delivering Good Governance Guidance Notes for Policing Bodies (2016)
[4] Home Office (2012). See http://www.official-documents.gov.uk/document/other/9780108511332/9780108511332.pdf
[5] CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005)

- Facilitate escalation of risk and control issues requiring visibility and attention by senior management, by providing a cohesive and comprehensive view of assurance across the risk environment
- Provide an opportunity to identify gaps in assurance needs that are vital to the organisation, and to address them
- Provide critical supporting evidence for the production of the Annual Governance Statement.

4.8 The PCC is able to gain assurance that the actions taken to mitigate risks (existing and new/developing controls) are effective through the regular review of the register. In addition to this internal assurance mechanism, there are independent external organisations (such as Internal Audit, External Audit, Her Majesty's Inspectorate of Constabulary) that work with the PCC and the Force to ensure that the risk management process is effective and robust.

4.9 High level risks on the assurance map are considered on a quarterly basis to support the continuous assessment of the effectiveness of the management of risk and internal control. In cases where the Commissioner or Chief Constable have insufficient assurance on the controls, improvement actions are identified to fill the gap.

5. Risk Management Process

5.1 The PCC is committed to principles outlined in the Institute of Risk Management's 'Risk Standard' publication[6]. The chart below illustrates the risk management process that the PCC will follow:

5.2 Risk management should be considered in two separate areas: Risk Assessment and Risk Monitoring/Management.

5.2.1 *Risk Assessment*

- The initial step of the process is to identify the potential risks facing the PCC. Risks can be identified through discussions at governance meetings with the Force,

[6] www.theirm.org/publications/documents/Risk_Management_Standard_030820.pdf .

internal management meetings, through the PCC and through the Office of the PCC. New or emerging risks can also be identified through the horizon scanning process.

- Risk Evaluation follows; this includes assessing the probability and impact of individual risks (see Risk Scoring below).
- The next step is to identify a suitable response to the risk. There are 4 generally accepted ways of responding to risk – these are known as the '***Four Ts***':

Transfer the risk	(the organisation transfers part or all of the risk; insurance is an example of risk transfer)
Tolerate the risk	(the organisation accepts the risk e.g. those with low likelihood or low impact)
Terminate the risk	(also known as 'avoidance'; the organisation eliminates the risk if it is too great for the organisation to bear or if the ways to reduce it are impractical or too expensive)
Treat the risk	(the organisation takes action to control the risk by reducing the likelihood or impact of the risk).

- The response will depend crucially on the PCC's risk appetite i.e. what level of risk the PCC is prepared to tolerate (see section 7.3).
- Finally, after establishing what actions that could be taken in response to a risk, a decision must be made to decide what action should be taken.

5.2.2 *Risk Monitoring/Management*

Once the risks are identified and decisions agreed on actions to take, the actions must be effectively monitored and managed. To ensure that the actions to mitigate the risk are planned, resourced and monitored, the actions or steps will be reviewed as part of the Office of the PCC's internal management process.

5.3 Risk Recording

Once a risk has been identified and evaluated, it will be entered on to the PCC's critical or non critical risk register. The entry will include:

- A risk identification code
- A reference to link the risk to one or more of the PCC's objectives or aims
- A description of the risk, clearly defining the source (the cause, hazard or trigger) and the consequence
- The risk sponsor (the person who takes responsibility for the risk)
- The inherent risk score (the risk score without any controls applied)
- The control measures attributable to the risk
- The owner of the risk (the person who will carry out the control action)
- The current risk score (the risk score with the existing controls applied) and the 'target exposure' (the risk score that the organisation is aiming for once all controls are applied.
- The direction of travel (compared to the previous version); this could be 'improving', 'deteriorating' or 'no change'
- The new or developing controls that need to be applied in order to mitigate against the risk, the owner of the action points and associated timescales
- Evidence of any external assurance mechanisms
- A review date for progress of the mitigation activity
- A change log and version control.

5.4 Archiving

Risks can be archived by the risk owner if they

- are no longer time critical but may become relevant again at a later date or
- if the risk has been mitigated to its target risk score and has become 'stable'.

All archived risks will be noted in the Change Log and reviewed on an annual basis.

6. The PCC's Risk Registers

6.1 The PCC will maintain a 'critical' risk register and a 'non critical' risk register.

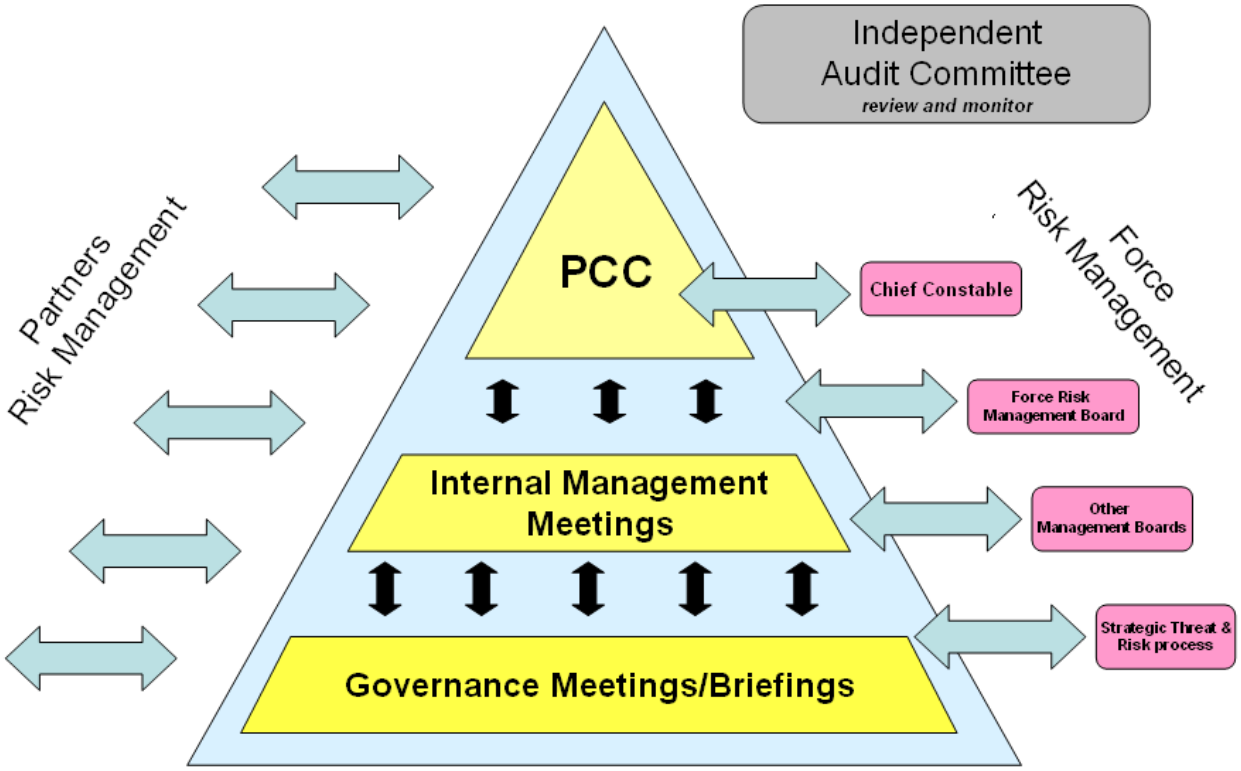
- the ***'critical'*** risk register is made up of the most significant risks to the PCC (those risks that have a current[7] risk score that is deemed to be Red 12 or 16 and
- the ***'non critical'*** risk register includes less strategically significant risks to the PCC (those risks that have a current risk score that is Amber 9 and below). It is important that there is flexibility to respond to any changes, as a low level operational risk on one day maybe significant business risk tomorrow.

6.2 The OPCC will maintain and review the risk registers and provide links to the strategic business objectives. Risks and risk management issues will be reviewed via the OPCC Internal Management Meetings and quarterly meetings held between the PCC and the Chief Constable (or their nominated deputies). The PCC's governance meetings structure also includes the standard 'significant risk update' agenda item that the Force is invited to respond to where appropriate[8].

6.3 The risk registers are live documents that will be reviewed and amended on an ongoing basis. Version control and date control will be applied to the document. The Research and Performance Officer (RPO) will co-ordinate the process and take ownership of the risk management strategy and the PCC's risk register.

7. Risk Management Approach

7.1 The PCC carries out risk management through the following approach:



[7] Current risk score is the score after existing controls have been applied to the risk.
[8] Including the Police and Crime Strategic Board Meeting held monthly

7.2 Risk Scoring

The following risk scoring matrix is used to evaluate and measure the risks facing the PCC. Each risk will be scored on the basis on the likelihood of the risk occurring and the impact it would have if it did happen. The PCC and Force broadly use the same risk scoring matrix that is based on the regional template.

LIKELIHOOD

	Score	Description
Very High	4	More than a 75% chance of occurrence.
High	3	More than a 50% chance of occurrence.
Medium	2	More than a 25% chance of occurrence.
Low	1	Less than a 25% chance of occurrence.

IMPACT

	Score	Performance/ Service Delivery	Finance /Efficiency £	Confidence/ Reputation	Health & Safety	Environment	Strategic Direction
Very High	4	Major disruption to service delivery Major impact on performance indicators noticeable by stakeholders	Overall >1,000,000 Business Area >150,000	Major stakeholder/investigations /longer lasting community concerns Major reputational damage adverse national media coverage	Death or a life changing injury	Very high negative environmental impact (high amount of natural resources used, pollution produced, biodiversity affected)	Major impact on the ability to fulfil strategic objective
High	3	Serious disruption to service delivery Serious impact on performance indicators noticeable by stakeholders	Overall 251,000-1,000,000 Business Area 41,000-150,000	Serious stakeholder/investigations /prolonged specific section of community concerns Serious reputational damage adverse national media coverage	An injury requiring over 24-hours hospitalisation and /or more than 3 days off work or a major injury as defined by the RIDDOR[9] Regs	High negative environmental impact (medium amount of natural resources used, pollution produced, biodiversity affected)	Serious impact on the ability to fulfil strategic objective
Medium	2	Significant disruption to service delivery Noticeable impact on performance indictors	Overall 51,000-250,000 Business Area 11,000-40,000	Significant investigations/specific section of community concerns Significant reputational damage adverse local media coverage	An injury requiring hospital/professional m edical attention and/or between one day and three days off work with full recovery	Medium negative environmental impact (low amount of natural resources used, pollution produced, biodiversity affected)	Significant impact on the ability to fulfil strategic objective
Low	1	Minor disruption to service delivery Minor impact on performance indictors	Overall <50,000 Business Area <10,000	Complaints from individuals Minor impact on a specific section of the community	An injury involving no treatment or minor first aid with no time off work	Low negative environmental impact (limited amount of natural resources used, pollution produced, biodiversity affected)	Minor impact on the ability to fulfil strategic objective

[9] RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

7.3 *Risk Appetite*

Risk appetite is described as 'an organisation's unique attitude towards risk taking, which in turn dictates the amount of risk it considers acceptable'[10]. KPMG refers to risk appetite as 'the total impact of risk an organisation is prepared to accept in pursuit of its strategic objectives'.[11] The BSI Risk Management Standard defines Risk Appetite as 'the amount and type of risk that an organisation is prepared to seek, accept or tolerate'.

7.4 If an organisation's risk appetite is set incorrectly, it could result in an inappropriate risk response and mitigating actions being taken.

7.5 The Commissioner recognises that the levels of risk that he may be prepared to take is dependent on a number of factors including the nature of the risk concerned; capacity to control a particular risk, prior exposure to risk and the amount of risk that is currently being controlled.

7.6 The PCC's risk appetite was revised in August 2014. The updated risk appetite means that the risk threshold changes (see below). The risks scored at Red 12 and Red 16 will be considered 'critical' and will be mitigated and managed through controls and developing controls as high priority. These risks will be monitored on a frequent basis through the monthly Internal Management Meetings; the table below also articulates the level of controls and ownership that are to be applied. The risks assessed as Amber 9 and below can be tolerated if the correct levels of controls have been applied.

Risk Appetite and Control

		Impact			
Likelihood		**Low** **1**	**Medium** **2**	**High** **3**	**Very High** **4**
Very High	**4**	**AMBER 4** **Cost effective controls** **Regular monitoring and reporting** **Sporadic action and contingency plans not essential**	**AMBER 8** **Cost effective controls** **Regular monitoring and reporting** **Necessary action and outline contingency plans**	**RED 12** **Comprehensive controls** **Frequent monitoring and reporting** **Immediate action and contingency plans**	**RED 16** **Comprehensive controls** **Frequent monitoring and reporting** **Immediate action and contingency plans**
High	**3**	**GREEN 3** **Cost effective controls** **Regular monitoring and reporting** **Sporadic action and contingency plans not essential**	**AMBER 6** **Cost effective controls** **Regular monitoring and reporting** **Sporadic action and contingency plans not essential**	**AMBER 9** **Cost effective controls** **Regular monitoring and reporting** **Necessary action and outline contingency plans**	**RED 12** **Comprehensive controls** **Frequent monitoring and reporting** **Immediate action and contingency plans**
Medium	**2**	**GREEN 2** **Low cost controls** **Occasional monitoring and reporting** **Sporadic action and contingency plans not essential**	**AMBER 4** **Cost effective controls** **Regular monitoring and reporting** **Sporadic action and contingency plans not essential**	**AMBER 6** **Cost effective controls** **Regular monitoring and reporting** **Sporadic action and contingency plans not essential**	**AMBER 8** **Cost effective controls** **Regular monitoring and reporting** **Necessary action and outline contingency plans**

[10] Office of Government Commerce, Management of Risk: Guidance for Practitioners
[11] KPMG, Understanding and articulating risk appetite (Advisory)

Low	**1**	**GREEN 1** **Low cost controls** **Occasional monitoring and reporting** **Sporadic action and contingency plans not essential**	**GREEN 2** **Low cost controls** **Occasional monitoring and reporting** **Sporadic action and contingency plans not essential**	**GREEN 3** **Cost effective controls** **Regular monitoring and reporting** **Sporadic action and contingency plans not essential**	**AMBER 4** **Cost effective controls** **Regular monitoring and reporting** **Sporadic action and contingency plans not essential**

PCC's 'Risk Appetite' indicated with a thick black line

8. Roles and Responsibilities

8.1 The details below provide a brief outline of the organisational and individual responsibilities for risk management within the OPCC.

PCC
As the legal corporate body, the PCC must maintain a sound system of internal control including a system for the management of risk.

The PCC will also be responsible for

- Approving the risk management strategy and any subsequent revisions.
- Reviewing the risk registers.
- Ensuring that where appropriate all reports and decision making takes into account risks and how they will be managed.
- Agreeing and publishing the PCC / OPCC Annual Governance Statement containing an assessment of the effectiveness of Risk Management and governance.

OPCC Staff
The Chief Executive and Chief Finance Officer will be responsible for overseeing the corporate approach to risk management.

Research and Performance Officer
The RPO will develop and co-ordinate the PCC's approach to risk management. This includes the review and maintenance of the PCC's risk management strategy, the risk register and the co-ordination of risk management training when required.

The team is responsible for:

- Maintaining a clear, up to date picture of the key risks, both strategic and operational, that the PCC/OPCC are exposed too, along with their existing and planned mitigation.
- Responding to major risk management issues affecting the PCC/OPCC.
- Engaging with partner organisations to ensure they have effective risk management arrangements, therefore supporting collaborative risk mitigation and best use of resources.
- Providing assurance as to the effective application of the above through putting in place monitoring during the year and completion of an annual assurance statement on risk management which will form part of the PCC/OPCC Annual Governance Statement.
- Reviewing and agreeing this risk management strategy and any subsequent revisions.
- Overseeing the implementation of the risk management strategy
- Agreeing resources to be made available in connection with Risk Management, including appropriate levels of assurance provision.
- Agreeing action stemming from any reports in connection with the effectiveness of PCC/OPCC Risk Management.
- Obtaining and providing the Joint Independent Audit Committee with evidence-based assurances over the progress of Risk Management activities.

All Staff
Responsible for gaining an understanding of risk and the benefits of its management and participating in risk management activities.

Joint Independent Audit Committee Members
Responsible for reviewing and monitoring the PCC's risk management arrangements (including the risk management strategy). Committee Members also review the Force's approach to risk management and review the Force's strategic risks.

Risk Sponsors (as stated on the risk register)
Responsible for overall ownership and accountability of particular risks.

Risk Owners (as stated on the risk register)
Responsible for taking ownership of the risk and ensuring that the action plan is addressed. Where necessary, the risk owner will update the PCC on changes to the nature of the risk they own, the level of risk and effectiveness of control measures.

9. Force Risk Management

9.1 The PCC has a responsibility to oversee the Force's management of risk and to ensure that the Force has adequate risk management arrangements in place.

9.2 The Force currently operates a Risk Management Board. The purpose of the Risk Management Board is to 'ensure a co-ordinated approach to identifying, analysing, controlling and monitoring organisational risks with the implementation of the Force's risk management process'[12]. The Board meets on a quarterly basis and the Research and Performance Officer attends.

9.3 The CFO attends the Force's Confidential Risk Management Meeting which is held on a quarterly basis. This ensures that effective linkages are made between financial management, governance and control and in relation to anti-fraud and corruption.

9.4 The PCC has a responsibility to ensure that appropriate arrangements are in place to align PCC and Force risk management strategies.

10. Partnership Risk

10.1 Risk management is important not only for individual organisations, but for partnership working too. The PCC will outline his approach to partnership working in the Police and Crime Plan. The PCC will develop his approach to risk management across his key partnerships during his term of office.

10.2 The PCC uses the following definition of a partnership in that it is:

'An agreement between two or more independent bodies to work collectively to achieve agreed objective(s)'.

10.3 The PCC is committed to the effective management of the risks related to partnership working as it is recognised that this is an essential aspect of partnership governance arrangements.

10.4 The PCC will continue to embed and review partnership arrangements in line with his partnership strategy.

10.5 The Annual Governance Statement requires the PCC to report on governance arrangements regarding partnerships and other group working[13]. The Joint Independent Audit Committee considers both the Commissioner's and Force's annual governance statement and code of corporate governance.

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[12] Force Risk Management Board Terms of Reference
[13] as identified by the Audit Commission's 2005 report Governing Partnerships: bridging the accountability gap.

10.6 The PCC and Force's risk registers will consider partnership risks and reflect these in their registers where appropriate. The PCC will also seek to influence partners in applying and embedding risk management principles where necessary.

10.7 The PCC is ultimately concerned with demonstrating improved outcomes through effective partnership risk management.

11. Risk Management Training

11.1 Training and awareness is vital to enable staff to take responsibility for managing risk within their own working environment.

11.2 The PCC is committed to providing risk management training to all staff. New members of staff will receive introductory training, and refresher training will be offered on a rolling basis.

12. Monitoring and Review

12.1 This Strategy and the PCC's arrangements for risk management will be reviewed annually in preparation of the Annual Governance Statement.

12.2 The Strategy will be formally reviewed on an annual basis to ensure continuing compliance with legislative and best practice principles.

Version Control

Version	Update
2.0	approved at Audit, Risk and Governance Committee 19 November 2009
2.1, 2.2, 2.3	minor updates.
Draft 2.4	draft agreed by Risk Management Task and Finish Group
Final 2.5	agreed by Audit, Risk & Governance Committee on 27 June 2011.
2.6	updates to risk score (likelihood) agreed by Risk Task and Finish Group, approved by Audit, Risk and Governance Committee on 21 March 2012.
Draft 3.0	drafted 4 September 2012, preparation for PCC taking office in November 2012.
Draft 3.1	Updated for sign off. Audit Committee consider 28/3/13
Final 3.2	Minor update. Publish
Version 3.3	Update – target exposure added. Audit Committee consider 28/3/14.
Version 3.4	Update – minors after consideration by Joint Independent Audit Committee 31/3/14
Version 3.5	Finalised version.
Version 3.6	Update – change to risk appetite (report to JIAC 3/9/14)
Draft version 3.7	Update - archiving risks. (October 2014)
Version 3.8	Review – updates including additional information about the assurance map
Version 3.9	Updated – description of risk review meetings, attendees at revised force RMB, partnership briefing for PCC, Police and Crime Plan reference.
Version 4.0	**Updated - with new PCC Logo, reference to revised CIPFA good governance guidance 2016, removal of reference to DCE role and strategic oversight responsibilities.**

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